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Market Update — June 22nd, 2018

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The flow of spot offers increased substantially and while a high volume of resin changed hands, much of the material just accumulated and is currently still around. As typical, the majority of our transactions were Polyethylene and LL and LLD film took center stage. Although some grades are still tight, overall availability has swelled to the highest level of the year. Despite at least 1 or 2 producers reiterating their intent to implement their thrice-failed \$.03/lb Polyethylene increase, we believe that PE contracts will at best roll flat in June. PE was steady to lower this past week, and film grades, which became more accessible, lost as much as 1-2 cents. Spot PP improved and while there was a soft undertone, prices managed to hold steady. Polypropylene contracts will follow PGP contracts higher in June, with perhaps an added bump attributed to margin enhancement.

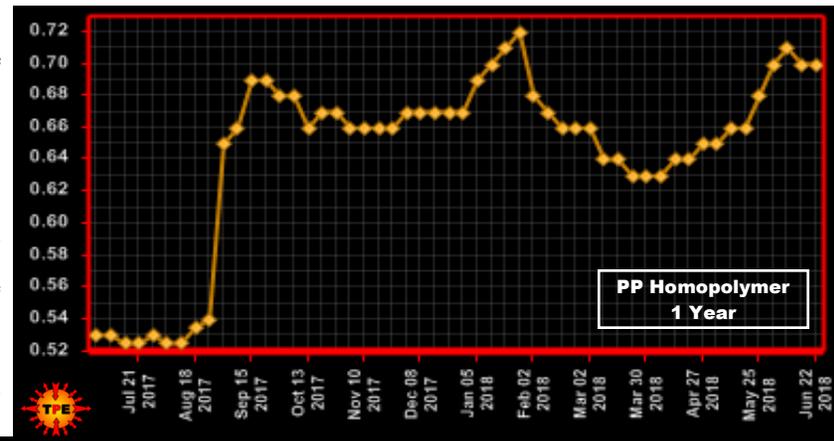
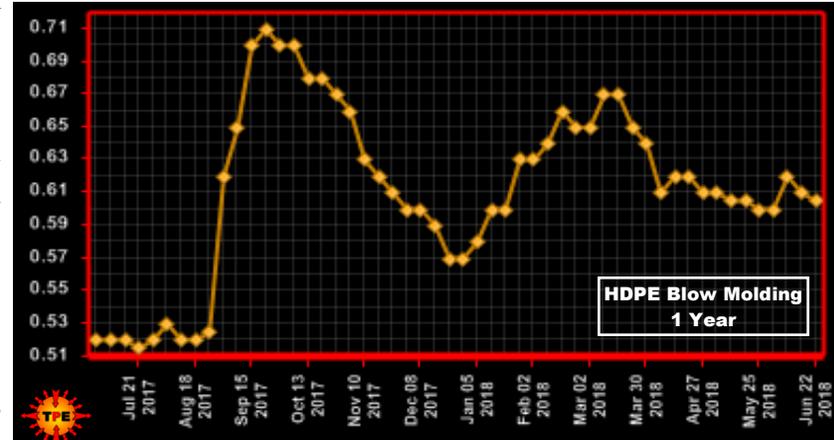
The major energy markets had quite the reversal this past week with the oil complex standing out. August WTI Crude Oil futures established its low on Monday and saw a choppy trading week until it posted a huge \$3.04/bbl gain on Friday to end the week at \$68.58/bbl, up \$3.73/bbl. Brent Oil also ended on a strong note, adding \$2.11/bbl to settle Friday at \$75.55/bbl. The spread between WTI and Brent continued to narrow and now stands around \$7/bbl. August also rolled to the front month for Nat Gas futures and moved around in a 5% range before heading into the weekend at \$2.945/mmBtu, down \$.07/mmBtu. Ethane continued to rally and made another multi-year high, it added another penny to \$.325/gal (\$.137/lb) – incredibly, Ethane and Ethylene are now about the same price, zero margin. Propane trade was a bit muted, hanging near unchanged at \$.87/gal (\$.247/lb).

The monomer markets saw intermittent spurts of activity amid relatively quiet trading sessions. Ethylene participants remained generally nervous with buyers scattering until firm interest arose. Ethylene for June / July was pressured and the market slid down about \$.02/lb by midweek, before recovering a penny to end Friday at \$.13/lb. The Propylene market saw very few outright prompt transactions, though activity in the deferred months helped to shape the curve, which is considered backwardated, since the front months are priced higher than future months. PGP interest for June / July delivery has developed in the mid-\$.50s/lb, having already pulled back 6-7 cents from the early June high. Despite the swift and sharp retreat from the low \$.60s/lb, enough volume appears to have transacted near that level to encourage a strong contract settlement for June, which has been indicated to increase by as much as \$.08/lb to \$.59/lb, but this is neither final nor market wide.

Spot Polyethylene trading was very busy, our trading desk was extremely active securing material to fill a consistent flow of orders. The supply situation has also improved with better availability seen for previously snug resins like LDPE and HMWPE for film, sending some spot prices down by as much as \$.02/lb. We also anticipate a busy week ahead which will bring the end of the month, quarter and first half of 2018. Perhaps there will be an added boost from processors looking to secure material ahead of the upcoming July 4th holiday, which is a good reminder to get material ordered early. The massive logistics challenges that the industry has seen will be exacerbated by short staffed offices / warehouses and truckers primarily looking for lanes that bring them close to home, adding to an already difficult freight environment. In the contract market, some producers reaffirmed their intent to raise PE \$.03/lb in June; however, spot market pricing does not support the increase. Perhaps the timely letters were issued as an attempt to simply hold the market flat rather than acquiesce to a decrease, for which many downstream processors have been clamoring.

Spot Polypropylene trading was good, but it was off the rampant pace seen in recent weeks. With spot monomer easing the upward cost-push ahead in July, processors seem content to currently procure minimally and wait for relief to (hopefully) come, unless of course immediate needs arise. So in the meantime, resellers stocked with packaged inventory are still doling out material at top dollar when the orders come in. On the supply side, offers were plentiful but levels were still elevated - there was a better flow of mostly offgrade railcars that pelted the secondary market and prices were a nervous steady to lower. Resellers have also had prime railcars to sell at seemingly high prices, which is a good indication that demand has fallen short of forecasts. Since PGP monomer for the second half of 2018 is now priced well below prompt levels, PP importers will now think twice about bringing in large quantities of speculative resin without orders in hand. If so, this could potentially lead to another supply/demand imbalance come late summer / the autumn.

Resin for Sale 17,083,112 lbs		Spot Range		TPE Index	
Resin	Total lbs	Low	High	Bid	Offer
LLDPE - Film	3,511,152	\$ 0.560	\$ 0.640	\$ 0.520	\$ 0.560
PP Homo - Inj	3,059,380	\$ 0.650	\$ 0.770	\$ 0.660	\$ 0.700
LDPE - Film	3,015,036	\$ 0.600	\$ 0.700	\$ 0.620	\$ 0.660
HDPE - Blow	2,068,576	\$ 0.550	\$ 0.630	\$ 0.565	\$ 0.605
HDPE - Inj	2,005,208	\$ 0.560	\$ 0.630	\$ 0.530	\$ 0.570
PP Copo - Inj	1,257,276	\$ 0.650	\$ 0.780	\$ 0.690	\$ 0.730
LLDPE - Inj	935,380	\$ 0.630	\$ 0.710	\$ 0.630	\$ 0.670
HMWPE - Film	688,644	\$ 0.640	\$ 0.700	\$ 0.620	\$ 0.660
LDPE - Inj	542,460	\$ 0.630	\$ 0.690	\$ 0.630	\$ 0.670



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